

The KBOO Foundation

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
The KBOO Foundation
Portland, Oregon

I have audited the accompanying statement of financial position of The KBOO Foundation as of September 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects,
the financial position of The KBOO Foundation as of September 30, 2008 and 2007, and its activities and cash flows for the years then ended in conformity with generally accepted accounting principles.

Portland, Oregon
February 22, 2009

THE KBOO FOUNDATION
STATEMENT OF FINANCIAL POSITION

September 30,

Assets:	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 545,295	\$ 558,754
Marketable securities	509	26,912
Accounts receivable	2,324	7,090
Prepaid expenses	9,484	10,883
Land, buildings and equipment, net	324,357	360,496
Long-term investments	<u>205,020</u>	<u>243,201</u>
 Total assets	 \$ <u>1,086,989</u>	 \$ <u>1,207,336</u>
 Liabilities and net assets:		
Accounts payable	\$ 12,748	\$ 28,246
Accrued payroll taxes	1,840	505
Credit line	<u>2,844</u>	<u>-</u>
 Total liabilities	 <u>17,432</u>	 <u>28,751</u>
 Net assets:		
Unrestricted	833,886	896,250
Temporarily restricted	30,651	39,134
Permanently restricted	<u>205,020</u>	<u>243,201</u>
 Total net assets	 <u>1,069,557</u>	 <u>1,178,585</u>
 Total liabilities and net assets	 \$ <u>1,086,989</u>	 \$ <u>1,207,336</u>

The accompanying notes are an
integral
part of these financial statements.

THE KBOO FOUNDATION
STATEMENT OF ACTIVITIES

	<u>Year Ended September 30,</u>	
	<u>2,008</u>	<u>2,007</u>
Changes in unrestricted net assets:		
Revenues:		
Membership subscriptions	\$ 548,285.00	\$ 587,817.00
Special events revenue, net of direct expenses of: 2008 \$14,698 ; 2007 \$2,505	27,533.00	10,298.00
Contributions	24,261.00	8,100.00
Contributed services	72,500.00	72,900.00
Community Service Grant	24,327.00	119,807.00
Lease income	36,615.00	32,300.00
Underwriting and advertising	51,763.00	51,971.00
Investment income	<u>19,395.00</u>	<u>29,442.00</u>
Total unrestricted revenues	<u>804,679.00</u>	<u>912,635.00</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	2,553.00	56,250.00
Satisfaction of time restrictions	<u>33,360.00</u>	<u>12,906.00</u>
Total net assets released from restrictions	<u>35,913.00</u>	<u>69,156.00</u>
Total unrestricted revenues and other support	<u>840,592.00</u>	<u>981,791.00</u>
Expenses and losses:		
Programming and production	201,517.00	267,741.00
Broadcast and technical	247,549.00	191,642.00
Program information	45,014.00	61,860.00
General and administrative	225,060.00	197,801.00
Fund raising and membership development	<u>183,816.00</u>	<u>158,233.00</u>
Total unrestricted expenses	<u>902,956.00</u>	<u>877,277.00</u>
Increase (decrease) in unrestricted net assets	<u>-62,364.00</u>	<u>104,514.00</u>
Changes in temporarily restricted net assets:		
Contributions and grants	27,430.00	90,081.00
Net assets released from restrictions	<u>-35,913.00</u>	<u>-69,156.00</u>
Increase (decrease) in temporarily restricted net assets	<u>-8,483.00</u>	<u>20,925.00</u>
Changes in permanently restricted net assets:		

Income on long-term investment	6,401.00	3,329.00
Net unrealized and realized gain (loss) on long-term investments	<u>-44,582.00</u>	<u>38,489.00</u>
Increase (decrease) in permanently restricted net assets	<u>-38,181.00</u>	<u>41,818.00</u>
Increase (decrease) in net assets	-109,028.00	167,257.00
Net assets at beginning of year	<u>1,178,585.00</u>	<u>1,011,328.00</u>
Net assets at end of year	\$ <u>1,069,557.00</u>	\$ <u>1,178,585.00</u>

The accompanying notes are an integral part of these financial statements.

THE KBOO FOUNDATION
STATEMENT OF CASH FLOWS

	<u>Year Ended September 30,</u>	
	<u>2,008</u>	<u>2,007</u>
Cash flows from operating activities:		
Member dues and contributions collected	\$ 597,532.00	\$ 629,277.00
Fund raising events	27,533.00	10,298.00
Investment income received	19,395.00	29,442.00
Grants and other revenue	146,318.00	277,815.00
Cash paid to suppliers and employees	<u>-794,026.00</u>	<u>-803,030.00</u>
Net cash provided (used) by operating activities	<u>-3,248.00</u>	<u>143,802.00</u>
Cash flows from investing activities:		
Purchase of equipment	-	-
	<u>-13,055.00</u>	<u>-27,798.00</u>
Net cash used by investing activities	<u>-13,055.00</u>	<u>-27,798.00</u>
Cash flows from financing activities:		
Loan proceeds	2,844.00	-
Net cash from financing activities	<u>2,844.00</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-13,459.00	116,004.00
Cash and cash equivalents at beginning of year	<u>558,754.00</u>	<u>442,750.00</u>
Cash and cash equivalents at end of year	\$ <u>545,295.00</u>	\$ <u>558,754.00</u>
Reconciliation of change in net assets to net cash from operating activities:		
·Increase (decrease) in net assets	\$ -109,028.00	\$ 167,257.00
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	49,194.00	39,064.00
Income on long-term investments	-6,401.00	-3,329.00
Net unrealized and realized (gains) losses on long-term investments	44,582.00	-38,489.00
Changes in operating assets and liabilities:	-	-

Decrease (increase) in marketable securities		26,403.00		-6,433.00
Decrease in accounts receivable		4,766.00		23,449.00
Decrease (increase) in prepaid expenses		1,399.00		-123.00
Increase (decrease) in accounts payable		-15,498.00		-37,864.00
Increase (decrease) in accrued payroll taxes		1,335.00		270.00
Increase in the credit line		<u>2,844.00</u>		<u>-</u>
Net cash provided by operating activities	\$	-	\$	-
		<u>-404.00</u>		<u>143,802.00</u>
		-		-

The accompanying notes are an integral part of these financial statements.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Description of Foundation and Summary of Significant Accounting Policies

The KBOO Foundation is an Oregon non-profit corporation which operates a listener-supported, non-commercial public radio station from Portland, Oregon.

Following is a summary of the Foundation's accounting policies:

Restricted Support

The KBOO Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of Long-Lived Assets

The KBOO Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the KBOO Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the KBOO Foundation considers all investments with a maturity of 90 days or less from the date of purchase to be cash equivalents. Cash equivalents consist of primarily money market accounts.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of Foundation and Summary of Significant Accounting Policies, Continued

Property and Equipment

Fixed assets are reported at cost or, in the case of donated property, at estimated fair value determined as of the date of receipt. Depreciation is calculated by the straight-line method over the estimated useful lives of individual assets, which range from 5 to 30 years.

Long-Term Investments - Permanently Restricted Net Assets

During fiscal year ended September 30, 2001 The KBOO Foundation established an endowment of \$100,000 administered by Oregon Community Foundation. Oregon Community Foundation has adopted a fixed percentage payout policy for distributions. The current annual payout rate is 5% of the market value of the fund, using a 13 quarter trailing average. The Oregon Community Foundation board has concluded that an annual payout of more than 5% may erode the long-term purchasing power of an endowment. The KBOO Foundation may designate that no distribution be made from the endowment fund as was the case in fiscal years ended September 30, 2008 and 2007.

Revenue Recognition

Unrestricted contributions, pledges and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or accrual. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

Pledges

The KBOO Foundation engages in an annual fund-raising campaign. Supporters are encouraged to provide financial contributions to enhance program offerings and cover operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. However, uncollected pledges that are not enforceable against contributors are not shown as assets on the balance sheet. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities. This usage is consistent with appeals for contributions and pledges.

Market Securities

Investments are stated at fair value, which is the prevailing market value, with the resulting change in unrealized gains or losses included in the statement of activities.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of Foundation and Summary of Significant Accounting Policies, Continued

Commissions

The KBOO Foundation has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

Contributed Services

Contributed services are any significant non-monetary support in the form of services received by the Foundation from outside sources. Only those services which, if not provided, would have been purchased by the Foundation and are normally provided by the supplier to the general public are included.

Grants

Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When The KBOO Foundation is notified as a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

1. Description of Foundation and Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of financial activity and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

Operating Leases

The KBOO Foundation leases tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms ranging up to 5 years with renewal options.

The KBOO Foundation subleases space on the towers to various third parties using five-year leases with renewal options. Tower rental income is included as "lease income" in the statements of activities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires The KBOO Foundation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents accounts at September 30, 2008 and 2007 consist of:

	<u>2008</u>	<u>2007</u>
Cash on hand and in checking	\$ (4,449)	\$ 3,229
Money market accounts	<u>549,744</u>	<u>555,525</u>
Total	<u>\$545,295</u>	<u>\$558,754</u>

3. Income Taxes

The KBOO Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

THE KBOO FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

4. Commercial Leases

The KBOO Foundation has operating lease agreements with third parties for tower space for various terms ranging up to 5 years. The principal lease which commenced in 2006, can be terminated at the end of the fifth year. The minimum rental commitments are summarized below:

<u>Years ended September 30.</u>	
2009	42,000
2010	42,000
2011	<u>28,000</u>
	<u>\$112,000</u>

Tower rental expense for the year ended September 30, 2008 was \$40,610 and \$42,103 for 2007.

5. Property and Equipment

Property and equipment are stated at cost and consist of the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 23,709	\$ 23,709
Building and improvements	192,720	192,720
Office furniture and equipment	102,748	100,826
Production and broadcast equipment	<u>996,410</u>	<u>985,577</u>
	1,315,587	1,302,832
Less: accumulated depreciation	<u>991,230</u>	<u>942,336</u>
Net property and equipment	<u>\$324,357</u>	<u>\$360,496</u>

6. Line of Credit

The KBOO Foundation entered into an unsecured line of credit providing for maximum borrowings of \$10,000. The line of credit bears interest at the bank's prime rate (5% at September 30, 2008) plus 9.5%. The outstanding principal balance and any unpaid interest is due October 25, 2008.

7. Receivables

Management believes that the entire amount of grants and other receivables are fully collectible and, accordingly, has not provided an allowance on such receivables.

8. Employee Benefit Plan

The KBOO Foundation maintains a defined contribution plan under Section 403(b) of the Code covering eligible employees. Retirement contributions by the Foundation are at the discretion of the board of directors. Contributions made by the Foundation amounted to \$6,997 and \$5,134 for the years ended September 30, 2008 and 2007, respectively.